
Finance Committee

HB 2122

Brief Description: Reducing the business and occupation tax burden on the newspaper industry.

Sponsors: Representatives Kessler, Blake, Ericks, Takko, Wallace, Morris, Lias, Hunt, Kelley, Quall, Sullivan and Van De Wege.

Brief Summary of Bill

- Reduces the business and occupation tax rate for printing and publishing newspapers from 0.484 percent to 0.2904 percent of gross income.

Hearing Date: 2/20/09

Staff: Joseph Archuleta (786-7192)

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. Major tax rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services, several lower rates also apply to specific business activities.

The printing and the publishing of newspapers, magazines, and periodicals are taxed under a special tax provision. Printing activity is subject to the B&O tax rate of 0.484 percent. Taxpayers that both print and publish books, music, circulars, and other materials are taxed at the same 0.484 percent rate. Publishers that do not print their own material are taxed at the retailing rate (0.471 percent) or wholesaling rate (0.484 percent) on sales of the material, and at the services rate (1.5 percent) on income received from advertising. However, publishers of newspapers, magazines, and periodicals are taxed at the lower 0.484 percent rate.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A newspaper is a regularly issued publication (at least twice a month) that is printed on newsprint in tabloid or broadsheet format folded loosely together without a binding. A periodical or magazine is a regularly issued, printed publication (at least once every three months), other than a newspaper, and includes supplements and special editions.

Summary of Bill:

While reviewing House Bill 2122, staff discovered a drafting error in section 1(14) which would result in lowering the Business and Occupation (B&O) tax rate for newspapers, magazines, and periodicals which is not consistent with the remainder of the bill. As a result we analyzed the bill with the intended language provided below:

Section 1(14) Upon every person engaging within this state in the business of printing a newspaper, publishing a newspaper, or both, the amount of tax on such business is equal to the gross income of the business multiplied by the rate of 0.2904 percent.

Reduces the B&O tax rate for printing and publishing newspapers from 0.484 percent to 0.2904 percent of gross income.

Requires persons or businesses claiming this preferential tax rate to complete and electronically file an annual report with the Department of Revenue.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2009.